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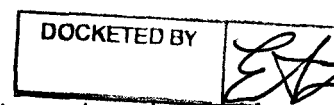
February 14, 2014

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Arizona Corporation Commission  
DOCKETED

FEB 14 2014

Robert L. Burns  
Arizona Corporation Commission  
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Re: January 31, 2014 Letter Concerning Public Relations Expenditures Associated with  
Retail Electric Competition / Docket No. E-00000J-13-0375

Commissioner Burns:

Thank you for your January 31 letter. APS appreciates the opportunity to supplement its prior correspondence regarding the expenses related to net metering and deregulation as identified both in response to your previous letters and in Pinnacle West's third quarter 10Q filed with the Security and Exchange Commission (SEC).

By way of context, SEC disclosures by practice are broadly characterized, providing detail on material spending sufficient for an investor to understand a company's business and determine whether to purchase that company's securities. The \$9 million figure reported in the third quarter 10Q—characterized as relating to “communication and other costs associated with net metering and deregulation”—estimated the total amount spent on a broad array of projects relevant to those two regulatory proceedings.

My November 6, 2013 letter described the general nature of those projects. There, I wrote:

In its most recent 10Q filed with the Securities and Exchange Commission, Pinnacle West disclosed that through September 30, 2013, it spent nine million dollars related to communication and other costs associated with NEM and deregulation. This disclosure was recently misreported as the amount spent on public relations efforts only, which is not accurate. . . . [I]t also includes, for instance, fees paid to technical consultants in connection with policy analysis, such as wholesale market structure and design issues in preparation for the deregulation discussion, among others. And it includes APS's general corporate advertisements, such as APS's general 'I Stand for Solar' campaign.

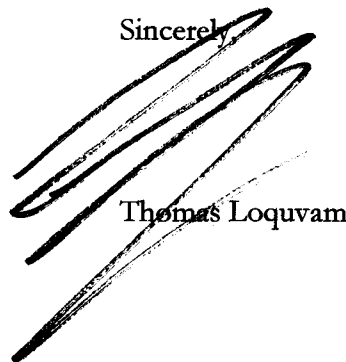
To provide the further detail requested in your most recent letter, the \$9 million third quarter 10Q disclosure can be broadly categorized into three buckets: media, technical consulting, and public relations.

- The media spend related to APS corporate advertising designed to communicate various customer rate and program options and the Company's commitment to solar technology. As of September 30, that spend totaled \$1.1 million.
- The technical consulting spend concerned work on several projects, including: helping APS evaluate wholesale market designs and comparing RTO/ISO market structures to the existing AZISA; identifying various generation operating models for APS in a deregulated environment and computing the stranded cost potential were the Commission to deregulate; helping APS devise rate and other solutions to address the cost-shift resulting from net metering; and helping draft APS's comments regarding the implications of deregulation and prepare for the RUCO workshop on the same subject. As of September 30, the technical consulting amount was approximately \$3.6 million.
- The public relations spend was described in the Company's November 6 and December 19 letters, totaling slightly over \$ 4.1 million (\$3.7 million for net metering and \$400,000 for deregulation).

Pinnacle West rounded the total of these three buckets—roughly \$8.8 million—in its 10Q disclosure to \$9 million as reported. Some of these costs are continuing. For example, in the fourth quarter, another \$1.8 million was spent on APS's "I Stand for Solar" advertising campaign.

We hope that this additional detail responds to your most recent letter.

Sincerely,



Thomas Loquvam

c: Chairman Bob Stump  
Commissioner Gary Pierce  
Commissioner Brenda Burns  
Commissioner Susan Bitter Smith  
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